



# **Final Action Report**

## **A Summary of the 2005 Budget Act**

**(Chapter 38, Statutes of 2005)**

Including:

- *Overview of the General Fund Condition*
- *Trailer Bill List*
- *Budget Detail by Subcommittee*
- *Compendium of Governor's Vetoes*

**Senator Wesley Chesbro, Chair**  
Senate Committee on Budget and Fiscal Review

July 25, 2005

# FINAL ACTIONS

July 25, 2005

Senate Bill 77 (Chapter 38)  
2005-06 Budget Bill

Senate Committee on  
Budget and Fiscal Review

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BOB MARGETT  
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July 25, 2005

The Senate Budget and Fiscal Review Committee has completed its Final Action Report which is a detailed summary of the 2005-06 budget actions taken by the Budget Conference Committee along with the Governor's vetoes. This report is available on the Senate Budget and Fiscal Review website:

Please follow the links:

- 1 - [www.sen.ca.gov](http://www.sen.ca.gov)
- 2 - Committees
- 3 - Standing
- 4 - Budget and Fiscal Review
- 5 - Information
- 6 - Final Action Report 2005

We hope you will find this information useful. Please feel free to contact the staff of the Senate Budget and Fiscal Review Committee should you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Wesley Chesbro".

WESLEY CHESBRO  
Chair

# CONTENTS

## **Overview of the Budget Act**

Introduction.....	Page 1
General Fund Summary .....	2
Major Features of SB 77 .....	2
Trailer Bill List .....	6

## **Budget Detail by Subcommittee**

Index, Departments by Subcommittee and Item Number.....	7
<i>Subcommittee No. 1: Education</i> .....	1-1
<i>Subcommittee No. 2: Natural Resources, Environmental Protection, Energy &amp; Utilities, and Food &amp; Agriculture</i> .....	2-1
<i>Subcommittee No. 3: Health and Human Services</i> .....	3-1
<i>Subcommittee No. 4: State Administration, General Government, Judicial, and Transportation</i> .....	4-1
<i>Subcommittee No. 5: Public Safety, Labor and Veterans Affairs</i> .....	5-1

## **Governor's Vetoes**

## INTRODUCTION

On July 7<sup>th</sup>, the Legislature passed SB 77, the 2005 Budget Act (Chapter 38, Statutes of 2005) and its companion vehicle, SB 80 (Chapter 39, Statutes of 2005), that revised various items to the main budget. In enacting these bills, the Legislature met its Constitutional obligation to pass a balanced budget.

Enclosed is the Senate Final Action Report. The report provides a detailed summary of the 2005 Budget Act, which reflects actions taken by the Senate Budget and Fiscal Review Committee (via the subcommittee process), the Budget Conference Committee, and final negotiations between leadership of the Legislature and the Administration, along with gubernatorial vetoes.

This report builds on the Major Action Report (issued May 26, 2005) which detailed the Senate version of the proposed 2005-06 budget. Final actions are recorded by department or agency; subdivided by budget subcommittee. The table of contents will direct you to departments or agencies of interest.

A list of budget implementation trailer bills enacted by the Legislature is also included. We hope you find this information useful. Please feel free to contact the staff of the Senate Budget and Fiscal Review Committee with questions.

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**GENERAL FUND SUMMARY**  
**2005-06**  
*(dollars in millions)*

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	<b>Budget Conference Committee</b>	<b>Final 2004 Budget (Revised)</b>	<b>Budget Conference Committee</b>	<b>Final 2005 Budget</b>
	<b><u>2004-05</u></b>	<b><u>2004-05</u></b>	<b><u>2005-06</u></b>	<b><u>2005-06</u></b>
<b>Prior-Year Balance</b>	\$ 6,948	\$ 7,279	\$ 6,793	\$ 7,498
Revenues and Transfers	79,545	79,935	84,385	84,471
Economic Recovery Bonds	2,012	2,012	--	--
<b>Total Resources Available</b>	<b>88,505</b>	<b>89,226</b>	<b>91,178</b>	<b>91,969</b>
<b>Expenditures</b>	<b>81,712</b>	<b>81,728</b>	<b>89,243</b>	<b>90,026</b>
<b>Fund Balance</b>	<b>6,793</b>	<b>7,498</b>	<b>1,935</b>	<b>1,943</b>
<b>Reserves:</b>				
Liquidation of Encumbrances	-641	-641	-641	-641
Economic Uncertainties	<b>\$6,152</b>	<b>\$6,857</b>	<b>\$1,294</b>	<b>\$1,302</b>

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**MAJOR FEATURES OF SB 77 (Chapter 38, Statutes of 2005)**  
**As further Amended by SB 80 (Chapter 39, Statutes of 2005)**

**Broad Overview**

- The 2005 Budget Act (SB 77) provides a balanced budget as required by the State Constitution.
- Total revised General Fund resources are estimated at \$91.9 billion, while estimated expenditures are approximately \$90 billion. (The total budget for all funding sources is projected at \$117.3 billion.).
- The budget includes a General Fund reserve of \$1.3 billion.

- Does not include any general tax increases, but is premised on some fee increases, proposed by the administration, particularly in the area of higher education.
- Does not rely on assumed unachievable savings, solutions, or federal funding.

### **Limited Borrowing and Accelerated Debt Payments**

The 2005 Budget limited borrowing and accelerated the payment of various debts:

- Assumes no use of Economic Recovery Bonds (ERBs), preserving approximately \$3.7 billion of ERB capacity.
- Contains full repayment of the Vehicle License Fee (VLF) gap loan of \$1.2 billion to local government. This repayment was not due until August 2006. The funds are now a major source of discretionary funding for local governments. In addition, the budget pays down additional debt for local governments mandate claims in 2004-05 and 2005-06.
- Repays approximately \$61 million in past education mandate claims that are owed to local school districts. The Governor did not propose this repayment, but the Budget Conference Committee believed it was critical that the state make progress in decreasing the debts owed to schools.
- Provides \$67 million, consistent with the outcome of the “*Paterno*” lawsuit, to make the first payment.
- For the second year, assumes issuance of Pension Obligation Bonds (POBs) resulting in a General Fund savings/deferral of approximately \$525 million. Due to litigation challenging the bonds, the administration deferred the issuance of these bonds until 2005-06.

### **K-12 Education / Higher Education**

- Provides the same level of funding for Proposition 98 as the administration, but provides more flexible funding to the schools. The budget protects funding for education by not shifting the cost of the State Teacher Retirement System (STRS) program to schools.
- Provides \$50 billion in Proposition 98 funds for *K-14* education in 2005-06, which represents an increase of \$3 billion above the 2004 Budget. According to the administration’s estimates, this level of funding is estimated to be \$740.9 million above the minimum Proposition 98 funding guarantee for K-14 education.
- Provides \$1.9 billion in revenue limit and categorical program enrollment growth and COLA adjustments in 2005-06. This reflects a 0.69 percent Average Daily Attendance (ADA) growth rate and a 4.23 percent COLA.
- Provides \$406 million in funding to reduce the revenue limit deficit factor for school districts and county offices of education. The Legislature provided an additional \$78 million for deficit

factor reduction above the \$328 million proposed by the Governor. Deficit factor funding provides ongoing, discretionary funding for schools.

- Maintains full funding for mental health services for special education pupils.
- Fully funds the Governor's compact with the University of California (UC) and California State University (CSU), and provides resources for academic preparation programs. In addition, the budget provides \$1 million to UC and CSU for an administrative initiative to increase the number of math and science teachers.

### **Health and Human Services**

- The budget protects the health and human services safety net for low-income Californians, as follows:
  - ✓ Preserves CalWORKs (California Work Opportunity and Responsibility to Kids) grant levels.
  - ✓ Suspends CalWORKs COLA for 2 years versus permanent elimination.
  - ✓ Delays, for three months, the federal portion of SSI/SSP (supplemental security income/state supplementary program) COLA in 2005-06 and 2006-07 (from January 1 to April 1, 2006 and from January 1 to April 1, 2007) versus suspension.
  - ✓ Maintains the state's share of funding for In-Home Supportive Services (IHSS) wages.
  - ✓ Increases the wage amount the state will participate in for IHSS workers to \$11.10 per hour from \$10.10 per hour.
  - ✓ Maintains existing funding for childcare for low-income working families.
  - ✓ Precludes significant reductions in health care for low-income working families.
  - ✓ Rejects mandatory enrollment into managed care for Aged, Blind and Disabled Medi-Cal recipients.
- Increases a fee on healthcare plans in order to assist seniors in filling out their Medicare Part D forms.
- Establishes a realistic cap on dental services for adults in the Medi-Cal program.
- Continues existing cost containment measures for the purchase of services in developmental services.

### **Other Major Elements of the 2005 Budget Act**

- Allocates \$1.3 billion to fully fund Proposition 42 transportation costs.
- Maintains existing renter's tax credit and homeowners programs for low-income seniors and the aged, blind, and disabled.



- Tobacco Securitization Bond refinancing: Taking advantage of lower interest rates, these bonds are being refinanced and will result in a one-time General Fund increase of \$525 million.
- Authorizes the administration to make \$100 million in unallocated General Fund reductions during the fiscal year. An additional \$150 million unallocated reduction was previously built into departmental budgets.

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**BUDGET and TRAILER BILLS**

<b>Bill Number</b>	<b>Chapter Number</b>	<b>Topic</b>	<b>Senate Vote</b>	<b>Assembly Vote</b>
<b>SB 77</b>	<b>Ch 38</b>	<b>2005 Budget Act</b>	<b>34-4</b>	<b>65-13</b>
<b>SB 62</b>	<b>Ch 76</b>	<b>Transportation Omnibus Trailer Bill</b>	<b>33-0</b>	<b>78-0</b>
<b>SB 63</b>	<b>Ch 73</b>	<b>Education Omnibus Trailer Bill</b>	<b>34-0</b>	<b>67-11</b>
<b>SB 64</b>	<b>Ch 77</b>	<b>State Boards and Commissions Trailer Bill</b>	<b>36-0</b>	<b>77-1</b>
<b>SB 68</b>	<b>Ch 78</b>	<b>Human Services Omnibus Trailer Bill</b>	<b>27-10</b>	<b>54-22</b>
<b>SB 71</b>	<b>Ch 81</b>	<b>Resources Omnibus Trailer Bill</b>	<b>36-0</b>	<b>70-7</b>
<b>SB 76</b>	<b>Ch 91</b>	<b>Energy Omnibus Trailer Bill</b>	<b>21-13</b>	<b>45-19</b>
<b>SB 78</b>		<b>Budget Act of 2004: Contingencies and Emergencies</b>	Senate Unfinished Business	
<b>SB 80</b>	<b>Ch 39</b>	<b>Revisions to 2005-06 Budget</b>	<b>31-0</b>	<b>64-13</b>
<b>SB 88</b>	<b>Ch 14</b>	<b>Fiscal Affairs: Health Care Funding: Proposition 99</b>	<b>32-2</b>	<b>72-0</b>
<b>SB 91</b>	<b>Ch 79</b>	<b>Budget Act of 2004: Contingencies and Emergencies</b>	<b>30-7</b>	<b>69-9</b>
<b>AB 131</b>	<b>Ch 80</b>	<b>Health Omnibus Trailer Bill</b>	<b>27-11</b>	<b>54-24</b>
<b>AB 138</b>	<b>Ch 72</b>	<b>State Mandates Trailer Bill</b>	<b>29-6</b>	<b>72-6</b>
<b>AB 139</b>	<b>Ch 74</b>	<b>State Government Trailer Bill</b>	<b>27-10</b>	<b>59-19</b>
<b>AB 145</b>	<b>Ch 75</b>	<b>Uniform Civil Filing Fees Trailer Bill</b>	<b>32-5</b>	<b>58-19</b>
<b>AB 794</b>	<b>Ch 23</b>	<b>Health Care Funding for Perinatal Women</b>	<b>22-14</b>	<b>46-25</b>

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## BUDGET DETAIL, BY SUBCOMMITTEE

**Subcommittee No. 1 – Education**

6110	Department of Education	6600	Hastings College of Law
6120	California State Library	6610	California State University
6420	California Postsecondary Education Commission	6870	California Community Colleges
6440	University of California	7980	Student Aid Commission

**Subcommittee No. 2 – Natural Resources, Environmental  
Protection, Energy & Utilities, and Food & Agriculture**

0540	Secretary for Resources	3830	San Joaquin Conservancy
0555	Secretary for Environmental Protection	3835	Baldwin Hills Conservancy
3110	Special Resources Programs	3840	Delta Protection Commission
3125	California Tahoe Conservancy	3845	San Diego River Conservancy
3340	California Conservation Corps	3850	Coachella Valley Mountains Conservancy
3360	Energy Resources Conservation & Development Commission	3855	Sierra Nevada Conservancy
3460	Colorado River Board	3860	Department of Water Resources
3480	Department of Conservation	3870	California Bay-Delta Authority
3540	Department of Forestry and Fire Protection	3900	State Air Resources Board
3560	State Lands Commission	3910	California Integrated Waste Management Board
3600	Department of Fish and Game	3930	Department of Pesticide Regulation
3640	Wildlife Conservation Board	3940	State Water Resources Control Board
3680	Department of Boating and Waterways	3960	Department of Toxic Substances Control
3720	California Coastal Commission	3980	Office of Environmental Health Hazard Assessment
3760	State Coastal Conservancy	7300	Agricultural Labor Relations Board
3780	Native American Heritage Commission	8570	Department of Food and Agriculture
3790	Department of Parks and Recreation	8660	Public Utilities Commission
3810	Santa Monica Mountains Conservancy	8665	California Power Authority
3820	San Francisco Bay Conservation and Development Commission	8770	Electricity Oversight Board
3825	San Gabriel & Lower Los Angeles Rivers and Mountains Conservancy		

**Subcommittee No. 3 – Health and Human Services**

0530	Health and Human Services Agency	4270	California Medical Assistance Commission
4120	Emergency Medical Services Authority	4280	Managed Risk Medical Insurance Board
4130	Health and Human Services Agency Data Center	4300	Department of Developmental Services
4140	Office of Statewide Health Planning and Development	4440	Department of Mental Health
4170	Department of Aging	4700	Department of Community Services and Development
4180	Commission on Aging	5160	Department of Rehabilitation
4200	Department of Alcohol and Drug Programs	5170	State Independent Living Council
4260	Department of Health Services	5175	Department of Child Support Services
		5180	Department of Social Services

## Subcommittee No. 4 –State Administration, General Government, Judicial, and Transportation

0250	Judiciary	8260	California Arts Council
0280	Commission on Judicial Performance	8320	Public Employee Relations Board
0390	Contributions to Judges' Retirement Fund	8380	Department of Personnel Administration
0520	Secretary for Business, Transportation, and Housing	8550	California Horse Racing Board
0595	Office of the State Inspector General	8620	Fair Political Practices Commission
0650	Office of Planning and Research	8690	Seismic Safety Commission
0820	Department of Justice	8830	California Law Revision Commission
0840	State Controller	8840	Commission on Uniform State Laws
0845	Department of Insurance	8855	Bureau of State Audits
0850	State Lottery Commission	8860	Department of Finance
0855	Gambling Control Commission	8885	Commission on State Mandates
0860	Board of Equalization	8910	Office of Administrative Law
0890	Secretary of State	8940	Military Department
0950	State Treasurer's Office	9100	Tax Relief
0985	California School Finance Authority	9210	Local Government Financing
1111	Department of Consumer Affairs	9650	Support for Health and Dental Benefits for Annuitants
1700	Department of Fair Employment & Housing	9800	Augmentation for Employee Compensation
1730	Franchise Tax Board	9840	Augmentation for Contingencies or Emergencies
1760	Department of General Services	9955	Reduction for Employee Compensation
1880	State Personnel Board	3.60	Contributions to Public Employee Retirement Benefits
1920	State Teachers Retirement System	4.01	Employee Compensation Savings
1955	Department of Technology Services	4.10	Reporting Requirements for Unallocated Reductions
2100	Department of Alcoholic Beverage Control	5.50	Contract Savings
2150	Department of Financial Institutions	8.53	Notice of Federal Audit
2180	Department of Corporations	8.81	Consultant Support for Enterprise Business System
2240	Department of Housing and Community Development	11.05	Information Technology Projects – Planning Documents
2320	Department of Real Estate	14.00	Special Fund Loans: Department of Consumer Affairs
2400	Department of Managed Health Care	25.50	Apportionment Payment System
2600	California Transportation Commission	33.50	Strategic Sourcing
2640	Special Transportation Programs		
2660	Department of Transportation		
2665	High Speed Rail Authority		
2720	California Highway Patrol		
2740	Department of Motor Vehicles		
2780	Stephen P. Teale Data Center		

**Subcommittee No. 5 – Public Safety, Labor, and Veterans Affairs**

0550	Secretary for Youth and Adult Correctional Agency	7100	Employment Development Department
0552	Office of the Inspector General	7120	California Workforce Investment Board
0559	Labor and Workforce Development Agency	7350	Department of Industrial Relations
0690	Office of Emergency Services	8120	Commission on Peace Officer Standards and Training (POST)
1870	Victim Compensation & Government Claims Board	8140	State Public Defender
5225	Department of Corrections & Rehabilitation	8180	Payments to Counties for the Costs of Homicide Trials
5240	Department of Corrections	8955-	Department of Veterans Affairs and
5430	Board of Corrections	8966	Veterans Homes of California
5440	Board of Prison Terms		
5460	Department of the Youth Authority		Control Section:
5480	Commission on Correctional Peace Officer Standards and Training (CPOST)	24.10	Transfer Surplus of Driver Training Penalty Assessment Fund to the General Fund